

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Worthington Financial Holdings

Point of Contact:	Sandra Stephens, CFO	RSSD: (For Bank Holding Companies)	3814703
UST Sequence Number:	986	Docket Number: (For Thrift Holding Companies)	H4388
CPP/CDCI Funds Received:	2,720,000	FDIC Certificate Number: (For Depository Institutions)	32649
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Huntsville
Date Repaid ¹ :	N/A	State:	Alabama

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

CPP funds allowed the bank to provide continued lending to the local community while maintaining sound and safe lending practices. The funds allowed the bank to continue expanding their lending abilities locally while many lenders were forced to turn away credit worthy customers.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

While it is not possible to directly tie the funds received to the types of lending they supported, in general Worthington Bank's target markets for lending are residential mortgage loans, commercial mortgage loans, small business loans and consumer loans.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☐
Increase reserves for non-performing assets.

☐
Reduce borrowings.

☐
Increase charge-offs.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Funds were held to supplement the 2010 capital raise, as well as fund cash flow and provide liquidity at the Holding Company to include supporting dividend payment until such a time the Bank's earnings support CPP dividends at the Holding Company level.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

CPP Funds allowed the company to continue to increase lending in the local market and enabled them to support local businesses with credit opportunities that might have otherwise not been available to them. This can be observed on TFR quarterly reports noting a continued expansion of the loan portfolio during 2010. CPP funds also served as a bridge for equity capital until the bank was able to conclude its capital raise in the 3rd quarter of 2010. The funds served to help maintain self imposed capital ratios during the interim period allowing the bank to avoid using other more costly sources of capital. During fiscal year 2011 the bank was given capital requirements by it's primary regulator the OCC of Tier 1 Capital of 8% and RBC of 12%. The CPP funds once again bridged the equity capital for the bank until other funds were raised in a debenture offering. This allowed the the bank to remain well capitalized and in compliance with the regulatory requirements.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Worthington was able to continue to provide the local community with additional credit options such as SBA loans etc. The bank continued to expand their lending to the community at a time when other sources of credit may not have been available. The funds allowed the bank to continue with it's business plan and establish itself in the community as a reliable source of lending while other banks might not have been able to meet the community's needs.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.